

MEMO# 30839

August 15, 2017

ICI Comment Letter on Proposed Partnership Audit Regulations

[30839]

August 15, 2017 TO: ICI Members

Tax Committee SUBJECTS: Tax RE: ICI Comment Letter on Proposed Partnership Audit Regulations

The Institute has submitted the attached letter to the Internal Revenue Service (“IRS”) and the Treasury Department on the proposed regulations implementing the new partnership audit regime enacted as part of the Bipartisan Budget Act of 2015. The Institute thanks the IRS and Treasury Department for reflecting our comments in the proposed regulations.^[1] Specifically, the proposed regulations clarify that regulated investment companies (“RICs”) and real estate investment trusts (“REITs”) may use the deficiency dividend procedures under section 860 when a RIC or REIT is a partner in a partnership that is subject to audit under section 6225 or 6226. We believe that the proposed regulations appropriately permit RICs to use the deficiency dividend procedures, as clearly was intended by Congress when enacting the new partnership audit rules. The Institute thus encourages the IRS and Treasury Department to adopt these portions of the regulations as proposed. We also echo others’ comments that the IRS should provide extensions of the 270-day period under the section 6225 modification process as a matter of course. Finally, we encourage the government to promulgate regulations permitting upper-tier partners to use the method under section 6226 with respect to an imputed underpayment that has been passed through to the partnership from a lower-tier partnership.

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Associate General Counsel

[Attachment](#)

endnotes

^[1] See Institute Memorandum No. 30339, dated October 25, 2016, which can be found here: https://www.ici.org/my_ici/memorandum/memo30339.

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